

**RALEIGH-DURHAM AIRPORT AUTHORITY**  
**BUDGET WORK SESSION**

*MINUTES*

*March 14, 2002*

Chairman Gibbs presided. Present: members Clancy; Parker; Sparrow; Teer; Toler and Winston. Absent: member Lane. Also present: Airport Director Brantley; Deputy Director, Operations Shackelford; Major Capital Improvements Program Director Powell; Deputy Director, Facilities Engineering & Maintenance Pittman; Deputy Director, Finance, Business & Administration Gill; Customer Service & Organization Support Director Damiano; Administration Director Umphrey; Finance Director Barritt; Senior Program Manager Edmondson; Program Manager Quesenberry; Environmental Manager Gilkinson; Parking Manager White; Maintenance Manager Fulp; Properties & Insurance Officer Quinn; Emergency Services Manager Thompson; Law Enforcement Manager Waters; Operations Manager Nelson; Senior Auditor Jordan; Communications Manager Hamlin; Customer Relations Supervisor Kawiecki; Public Transportation Supervisor Kiser; Accountant Marion; Business Development Officer Hairston; GIS Manager Dana; Information Technology Manager Schiller; Security System Administrator Campbell; Field Maintenance Supervisor Thompson; Facilities Maintenance Supervisor Herndon; Executive Assistant Mitchell and Attorney Tatum.

Guests: Vicki Hyman, The News & Observer; Steve Cornell, Parsons Transportation Group; Tom Lawrence, WRAL-TV; and Rev. Dennis Stiles.

Chairman Gibbs opened a Public Hearing on the drafts of the proposed 2002-03 Operating and Capital Budgets. No one asked to speak. Since there were no comments, the hearing was closed.

Airport Director Brantley presented the proposed Operating and Capital Budgets for the fiscal year to begin April 1, 2002 and end March 31, 2003. The Operating Budget is an annual budget under which the authorization for expenditures expires at the end of the fiscal year and does not carry over into the succeeding year. Project budgets in the Capital Budget are cumulative budgets that do not expire but carry over from year to year as long as the project is authorized. They may be increased or decreased (so long as the funds actually spent or encumbered are less than or equal to the budget) at any time.

Fiscal Year 2001-02 has been a memorable year, but in a negative sense due to the effects of the substantial decline in business travel as a result of general economic conditions nationally and the impact on air travel and the airline industry of the September 11<sup>th</sup> terrorist attacks. When Midway Airlines filed for bankruptcy on August 13<sup>th</sup>, 53 daily flight departures were lost. Midway then terminated all operations on September 11<sup>th</sup>, followed by Corporate Airlines taking the same action, which caused the loss of another 92 daily departures. Thus, 45% of RDU's flights disappeared in less than one month. The positive growth in passenger traffic experienced through July turned negative thereafter, with local traffic loss in September and October exceeding 20%, though by January the loss compared to the preceding year had declined to about 12%. Year-end 2001 holiday travel was strong, but clearly constrained by loss of available seats. Public parking and car rental activities were substantially

impacted by the loss of flights, seats and passenger traffic last fall, coupled with the federally-imposed prohibition on parking within 300 feet of the terminal buildings unless vehicles are inspected. Parking has since experienced strong recovery, although car rental continues to be negatively affected. At the same time, the Authority's costs began to increase considerably, primarily due to added civil aviation security requirements mandated by the federal government, particularly those requiring devotion of more law enforcement and traffic control resources to security duties. In order to comply, current staff was augmented by off-duty Durham police officers and temporary personnel to assist with terminal curbside management, taxicab dispatching, inspection of parking vehicles and vehicles and personnel entering the airside secure area, patrol of the terminals and the airport perimeter, and other duties.

While the reduction in parking activity permitted the use of some public facilities to be suspended, some bus routes to be curtailed, and some cashier personnel to be reassigned to taxi dispatch, lease payments on 16 shuttle buses continued even though that number now is more than sufficient. Then, in late January when three carriers elected to resume service between RDU and Washington Reagan National Airport, additional drain on law enforcement and operations personnel occurred in order to meet federally-mandated security requirements for those flights until a dedicated staff of part-time officers and ramp agents could be established to handle those duties. Fortunately, the security costs associated with those flights are being charged to the carriers operating the services. Substantial contractor and staff cost also was incurred to deal with the one-foot snowfall on the night of January 3<sup>rd</sup>. Utilities expenses also were much greater than expected, particularly for electric power.

Spending on capital improvements again was kept well below expected outlays, in large part due to contractors making slower than scheduled progress on work. The only active project that was significantly curtailed in the aftermath of September 11<sup>th</sup> was the improvements to Park & Ride Lot 5. Original plans were to create approximately 3,300 paved spaces in that lot, but this was scaled back to 1,700 paved spaces, and 1,300 existing graveled spaces were retained. The net effect is that the year will end with continued maintenance of a strong cash position. Construction on Parking Garage 4 will be accelerated toward early completion by November 2003.

Airport Director Brantley reported that the Authority will start the fiscal year in an excellent cash position. Approximately \$41 million in operating funds and reserves and \$100 million in bond construction funds will be on hand. Factors for forecast growth in operating revenue were discussed, and included the following: increased landing fees; increased rentable floor space, including Terminal C and Cargo Building 4; more and better terminal food/beverage and retail concessions; growth in cargo complex rental revenues due both to Cargo Building 4 and to the addition of the replacement for Cargo Building 1; and increased rent paid by general aviation operators and corporate hangar owners. Several revenue streams are expected to decrease: LSG Sky Chefs, due to substantial cutbacks in flight catering; car rental and off-airport parking revenues; public parking and taxicab revenues, and revenues from providing water and sewer utilities services. Key changes in operating expenses also were reviewed.

Airport Director Brantley briefly summarized the Budget Ordinance (whose enactment has been requested by the Local Government Commission), the Project Ordinances that accompany the Capital

Budget, the Cost Allocation analysis, and the calculations of Landing Fees and Terminal Rents.

The Authority is expected to acquire all leasehold rights to Terminal C and the other elements of American Airlines' leasehold, excluding the flight catering kitchen, in May 2002. After that occurs, budget reductions in both revenues and expenses will be proposed as the Operating Budget has been prepared as if that transition was to occur on April 1, 2002. The financial operation of the bulk fuel farm and the other fueling system components has not been incorporated into the budget at this time. Those facilities are expected to be operated on a better than breakeven basis. The fueling system operation will be incorporated in the budget once the operating arrangements are in place.

Member Toler asked if funds were included in the budget for capital improvements for terminal restroom facilities. Airport Director Brantley advised that specific funds were not included in the capital budget at this time, but it was known that major improvements, including renovation and expansion of restrooms, will have to be made to Terminal C. Funds were included for janitorial services for Terminal C.

Member Parker asked how much federal money the Authority receives and if there are other federal funds the Authority might expect to receive. Airport Director Brantley replied that federal and state grant funds can only be used for capital improvements and for certain equipment acquisition. The Authority applied for additional federal funds to help offset added security costs following September 11th, but the FAA has not yet indicated whether that those funds will be provided.

The FY 2002-03 Operating and Capital Budgets are recommended for approval and will be brought before the Authority at its regular meeting on March 21, 2002.